

Long-term resource mobilization at Costa Rica Forever: the case of a single closing deal

Author:

Pamela Castillo

Fund:

Costa Rica Forever Association

Costa Rica | 2013



Latin American and Caribbean
Network of Environmental Funds

Case Studies

Long-term resource mobilization at Costa Rica Forever: the case of a single closing deal

I) Overview

Twenty-six percent of the land in Costa Rica is under some category of protection. Despite the enormous efforts made, the national protected area system still has conservation voids that need to be addressed to achieve adequate ecological representation. The primary gap is in the marine area. The jurisdictional waters of Costa Rica, covering 567,928 square kilometers between the Caribbean Sea and the Pacific Ocean, are estimated to hold 3.5 percent of all marine species in the world, 90 of which are endemic. However, only 1 percent of this area is protected. Overfishing, habitat destruction, unregulated development of the coastal plains, invasive species, and climate change place this important marine biodiversity at risk.

Furthermore, those managing marine protected areas lack the tools needed to do so more effectively. Unlike protected terrestrial areas, marine areas do not have evaluation and follow-up strategies, with indicators defined for each conservation goal. Only 12 of the 21 marine protected areas have management plans, and many need updating to address new challenges such as climate change.

What is Forever Costa Rica

The Forever Costa Rica (FCR) Program is a public-private partnership whose mission is to make Costa Rica one of the first developing countries to meet the goals of the Programme of Work on Protected Areas of the Convention on Biological Diversity (CBD), thereby consolidating an ecologically representative, effectively managed system of protected areas that are adapted to the effects of climate change and have sustainable sources of funding.

The *Peace for Nature* initiative, developed while Oscar Arias was in office, gave way to the idea of setting up a trust fund that would make all efforts to sustain Costa Rica's biodiversity sustainable. The Linden Trust for Conservation, the Moore Foundation and The Nature Conservancy (TNC) joined hands to review the lessons learned from the experience of environmental funds around the world and to launch a global fundraising campaign to build the trust fund.

Conservation Goals

The conservation priorities for the Forever Costa Rica Program were based on the findings of Costa Rica's Conservation Gap Analysis (GRUAS II) conducted by the *Sistema Nacional de Áreas de Conservación* (SINAC) in 2007.¹ Based on the obligations acquired under the Convention on Biological Diversity (CBD), the *Sistema Nacional de Áreas de Conservación* (SINAC) developed a technical proposal that identified conservation goals for the entire country within the framework of the Programme of Work on Protected Areas, including commitments for both terrestrial and marine areas (see map with representativeness goals in Figure 1).

The FCR seeks to ensure that Costa Rica fulfills all the standards in the United Nations Convention on Biological Diversity (CBD) for protected areas, including the following:

- **Ecological Representativeness:** To ensure that all major marine/coastal and terrestrial ecosystems are protected, by including them in the national system of protected areas and through participatory management categories.
 - o **Goal for 2015:** To extend the *Sistema Nacional de Áreas Silvestres Protegidas* by doubling marine protected areas from 1% to 2% and expanding terrestrial areas from 26% to 26.5%, thereby covering the conservation gaps identified in the GRUAS II study.
- **Effective Protected Area Management:** To provide protected areas the technical inputs and resources they need to implement activities that will ensure long-term biodiversity conservation.
 - o **Goal for 2015:** To design management plans for 33 protected areas (24 in terrestrial PAs and 9 in marine PAs)
- **Climate Change:** To identify the biodiversity that is most vulnerable to the effects of climate change and extreme weather events, in order to make management decisions that will ensure their adaptability and resilience over time.
 - o **Goal for 2015:** To develop a PA adaptation strategy and implement it in a pilot area.

¹ See *Sistema Nacional de Áreas de Conservación* (2007), *GRUAS II: Propuesta de Ordenamiento Territorial para la conservación de la biodiversidad de Costa Rica. Volume I: Análisis de Vacíos en la Representatividad e Integridad de la Biodiversidad Terrestre*. SINAC-MINAE. San Jose, Costa Rica.

How Financial Resources are Mobilized

Based on the above conservation goals, the consultant firm Redstone Strategy Group conducted a review of financial needs and available resources (funded by the Linden Trust for Conservation), and estimated the funding shortfall at USD 70 million. The SINAC then adjusted these needs to the lines of action and concluded that an external funding goal of an additional **USD 50 million** would be adequate to meet Costa Rica's primary commitments under the CBD.²

Through an agreement formalized between private stakeholders – the Linden Trust for Conservation, the Gordon & Betty Moore Foundation, the Walton Family Foundation, and TNC – and the Costa Rican Government, the former undertook to mobilize USD 36 million in (mostly private) funds through a global campaign, while the Government agreed to raise the rest. Being a 'closing deal', the condition was that the agreement would not be closed and no donor would make any disbursements until all funds were raised.

The government took on another series of commitments included in the agreement closing conditions, whose fulfillment is verified on a yearly basis as a condition to continue with disbursements:

1. Not to cut the 2008 state conservation budget.
2. To allocate an additional one million dollars in the ordinary budget for marine area conservation.
3. To improve budget execution (currently at approximately 90% compared to the previous 70%).
4. To create an office within SINAC and a department with personnel in charge of managing marine area conservation.
5. To create an in-house procurement office to expedite contracting of goods and services for protected areas.

Three groups were formed to implement the fundraising plan, and over three years (2008 to 2010) they were able to raise USD 56 million:

1. The **private donors**, headed by TNC (one of the largest international non-governmental organizations), the Moore Foundation and the Linden Trust for Conservation, organized a campaign to raise private funds.
2. A **technical conservation group** was entrusted with developing a five-year Implementation and Monitoring Plan (2010 to 2015) that specifies all activities required to meet the CBD goals and is funded through the program.
3. A **legal work group** designed the implementation structure.

In a record time of eight months, a USD 27-million debt swap was negotiated between Costa Rica and the United States, which since 2010 has helped to fund tropical ecosystem conservation in Costa Rica for a 15-year period. These funds are also subject to meeting Program goals, and have contributed to the terrestrial component of the conservation plan.

The Forever Costa Rica Association manages two trust funds that jointly amount to USD 56 million (see detail in Table I):

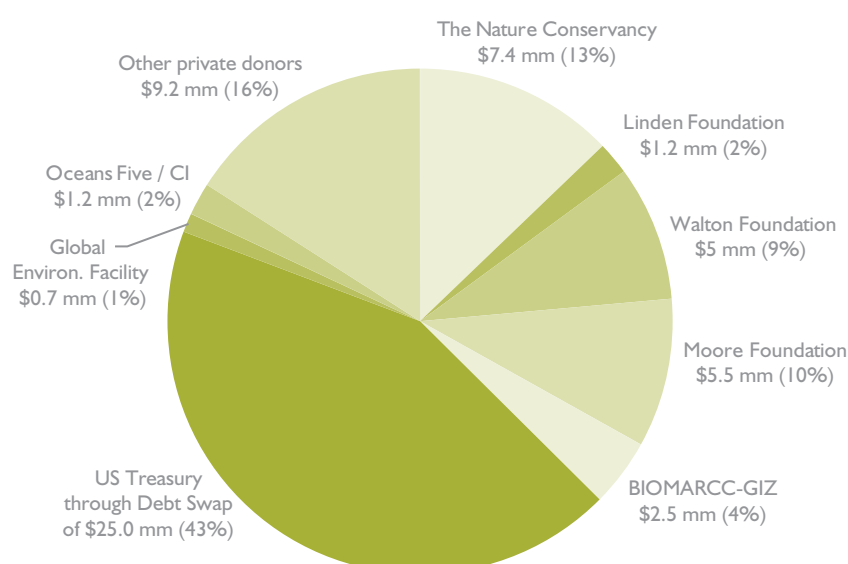
- the **Forever Costa Rica Irrevocable Trust** to which several private donors have contributed for a total of over USD 25 million; and
- the trust fund formed from the **Second Debt-for-Nature Swap** between Costa Rica and the United States for USD 27 million.

² This goal was additional to the existing external funding (USD 10 million) and the government's yearly commitment to finance protected areas (USD 360 million), plus a new financial commitment to marine protected areas for USD 20 million.

Table I. Donor contributions to FCR funds

Donor	Funds Contributed (in dollars)	%
The Nature Conservancy	7,400,000	13
The Linden Trust for Conservation	1,200,000	2
The Walton Family Foundation	5,000,000	9
The Gordon and Betty Moore Foundation	5,500,000	10
Germany (<i>Proyecto Biodiversidad Marina y Cambio Climático — BIOMARCC</i>)	2,500,000	4
United States (Debt-for-Nature Swap)	25,000,000	43
GEF (Consolidating Costa Rica's Marine Protected Areas)	700,000	1
Oceans Five / CI	1,200,000	2
Other Private Donors	9,200,000	16
Total	57,700,000	100

Source: Forever Costa Rica Association

Figure I. Distribution of funds donated to FCR

Source: Forever Costa Rica Association

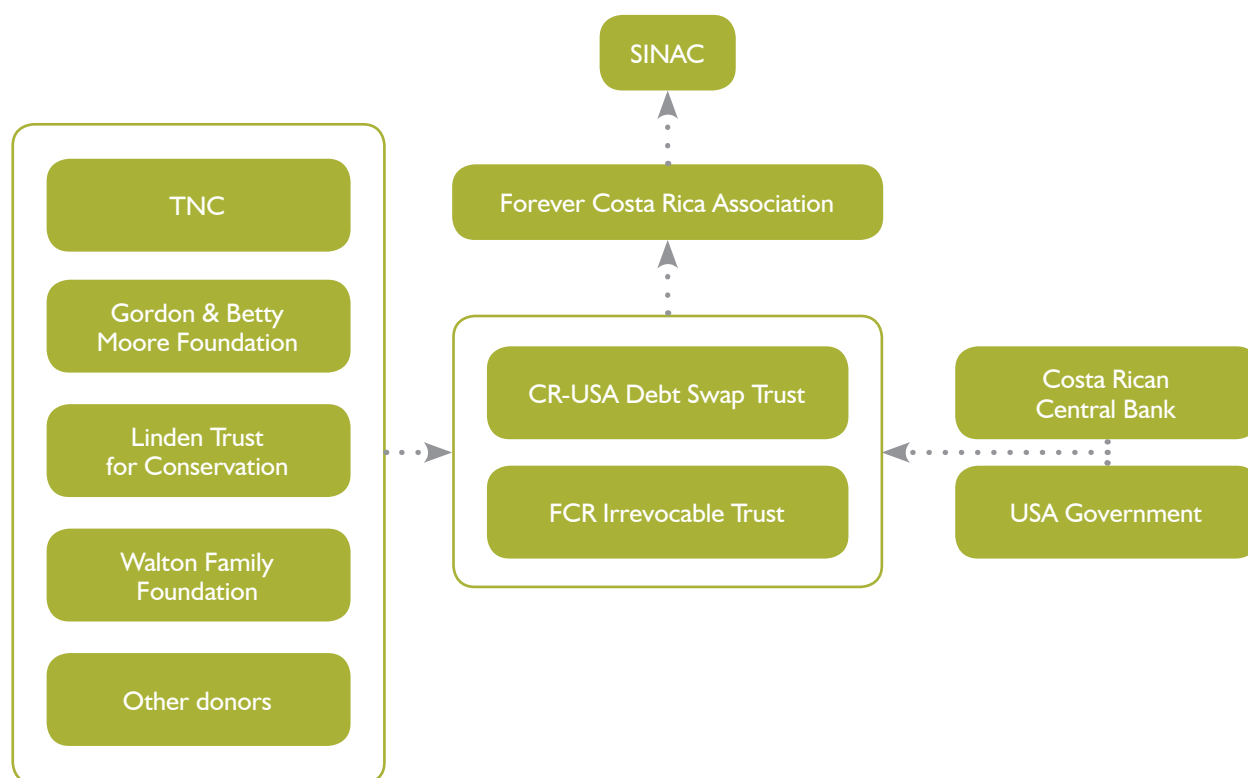
II) Analysis

How Forever Costa Rica Works

Donors who contributed funds to the program stated their preference for creating a new organization to manage them instead of using an existing one. This gave rise to the Forever Costa Rica Association, entrusted with managing external funds pledged to the trust and monitoring project progress and goals met under the Implementation Plan. An association was chosen over a foundation so that control over the use of private funds could be discretionary, and to enable verification of the government's compliance with the conditions it should meet to ensure sustainability of investments in protected area conservation efforts. In this way, should the government default on any of its undertakings for two consecutive years, the association could seek alternative routes such as civil society organizations until the government is able to make up for its unfulfilled commitments.

With part of the funds raised (42 of the 50 million dollars) a private trust was created with TNC as the primary agent, the FCR Association as the administrator or trustee, and the beneficiary stated as "the public protected areas of Costa Rica", not the SINAC. To implement the plan, a cooperation agreement was formalized with the Costa Rican Government by which the association undertakes to meet the goals and carry out the activities envisioned in the plan (see the stakeholder map in Figure 2). A joint steering committee was created for program followup, decision making and biannual implementation reporting.

Figure 2. Stakeholder Map of Forever Costa Rica.



Source: Developed in-house

Half of the funds from the CR-USA Debt Swap are allocated to the trust endowment fund, and the rest are sinking funds to be spent over the 15-year period. The endowment fund helps to capitalize the trust and accrues interest used to cover the project's recurring costs. Added to this are resources from bilateral and multilateral donors.

Trust funds are not transferred to the State. To ensure that support comes in a flexible, effective manner, the association provides the goods or services required for the activities and goals envisioned in the Implementation and Monitoring Plan signed by both agencies (at the request of SINAC), and contracting is done directly. This sidesteps complicated public bidding procedures and other possible governmental inefficiencies.

What has been Achieved to Date

Expanding the Size and Representativeness of the Protected Area System: The most significant progress has been made in the marine area, where the size of protected areas has already doubled due to the creation of the Seamounts Marine Management Area, and administrative process have already begun to address 9 of the 11 conservation gaps prioritized in the Forever Costa Rica Program, aiming to triple ecosystem representativeness.

Studies on the Status of Biodiversity: In partnership with the SINAC, the program has conducted important studies on the vulnerability and services of marine/coastal and terrestrial ecosystems, in order to develop biodiversity adaptation strategies, and on the conservation status of the country's most sensitive marine and freshwater ecosystems. These studies will help to address the 11 conservation gaps that were identified as goals, 9 of which have already been developed and 7 of which are in the strategy design phase for consultation with stakeholders.

Management Plans: Management plans have been developed for 31 protected areas included in the goal of 33 plans by 2015 (24 in terrestrial PAs and 9 in marine PAs), and the tools for monitoring the management of terrestrial and marine protected areas have been updated and improved, including ecological integrity indicators.

Protecting Marine Biodiversity: In partnership with Conservation International (CI) and the Costa Rican Government, the FCR Association has made a great effort to enhance marine biodiversity protection against the threat of overfishing, through its Marine Control and Surveillance Strategy. Thanks to the support of the FCR and CI, the Costa Rican Government was able to design, fund and implement a National Marine Control and Surveillance Strategy, which includes a high-tech system with day and night cameras, radars, and VMS and AIS devices, thereby reducing the very high cost of traditional control and surveillance activities (patrolling). Also under this effort, it was possible to put together a **National Environmental Security Executive Committee** in coordination with the INTERPOL.

The Salvemos Palo Verde Campaign: The *Palo Verde* National Park is threatened by the spread of an invasive species known as '*tifa*'. The FCR program has supplied this protected area with the machinery needed to control this species, and the Forever Costa Rica Association manages the funds received from donations to cover the cost of preventative and corrective maintenance.

III) Lessons Learned

A global fundraising campaign should have a **very concrete success target**, which in the Costa Rican case was to make it the first developing country to fulfill the Programme of Work for Protected Areas established by the CBD. The appeal of this target and its national impact were factors that made it possible to raise USD 56 million despite the adverse context of a serious global financial crisis.

The **single closing deal** guaranteed the political will and commitment through a number of closing conditions undertaken by the government in areas such as raising additional resources, contributing public funds and enhancing protected area management.

This **all or nothing** agreement was very attractive to donors, as they were able to leverage much more than they contributed. Although it is strange to risk not receiving the funds if the target is not reached, this is what ensured that all proposed conservation goals were met.

However, this type of initiative **cannot be developed everywhere**. They require a number of conditions that are not always met, such as proposing highly attractive goals for donors, ensuring political commitment at the highest levels, or having a Big International NGO (BINGO) to head the international fundraising campaign.

It was important to have a **scientific knowledge base** on the environmental sustainability of the ecosystems to be protected and the need to act, which in this case was the provided by the GRUAS II assessment.

“A global fundraising campaign should have a very concrete success target.”

Having a **BINGO** (in this case, TNC) to head the fundraising campaign was another success factors, as this made it a world-class campaign and provided a 'match' (another dollar for every dollar raised).

Having an **Implementation and Monitoring Plan** specifying the activities to be financed with the fund's private resources—which reflect the CBD targets—as well as a baseline prevents program funds from being diverted and makes it easier to show donors the impacts.

